

## Message Text

PAGE 01 STATE 013918

70

ORIGIN ARA-10

INFO OCT-01 ISO-00 EB-07 AID-05 XMB-02 OPIC-03 CIAE-00

DODE-00 PM-04 H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01

PRS-01 SP-02 SS-15 USIA-06 COME-00 FRB-03 TRSE-00

CIEP-01 LAB-04 SIL-01 OMB-01 HEW-02 AGR-05 OFA-01

ACDA-05 HUD-01 IO-11 /109 R

DRAFTED BY ARA/CAR:JLOCKARD:ARA/ECP:WFALKNER

APPROVED BY ARA:WHLUERS

ARA:AFISHLOW(DRAFT)

ARA/LA/CAR:TJCHEAVNER(DRAFT)

ARA/ECP:SHROGERS(DRAFT)

AA/LA:HKLEINE(DRAFT)

EB/ORF/OFP:FSPILLMAN(SUBS)

SER/CFS:MDILEGGE(DRAFT)

EXIM BANK:DSHEPHERD(SUBS)

OPIC:DGREGG(SUBS)

ARA/LA/CAR:WBWHEELER (DRAFT)

LA/MRSD:PBOUGHTON (DRAFT)

LA/DR:MBROWN (DRAFT)

LA/DP:AHEYMAN (DRAFT)

LA/OPNS:CUYEHARA (DRAFT)

GC/LA:ILEVY (DRAFT)

----- 061829

P 201705Z JAN 76

FM SECSTATE WASHDC

TO AMEMBASSY NASSAU PRIORITY

C O N F I D E N T I A L STATE 013918

E.O. 11652: GDS

TAGS:EAID, BF, US

SUBJECT: DISCUSSION ON DEVELOPMENT ASSISTANCE FOR THE  
CONFIDENTIAL

PAGE 02 STATE 013918

BAHAMAS

REFERENCE: NASSAU 2142

FOR AMBASSADOR WEISS FROM DEPUTY ASSISTANT SECRETARY LUERS

1. SUMMARY: IN ENDEAVORING TO REPLY TO YOUR REQUEST FOR GUIDANCE IN RESPONDING TO THE GCOB QUOTE VAGUELY DEFINED NEED FOR ECONOMIC ASSISTANCE UNQUOTE, WE HAVE ATTEMPTED TO ANALYZE EXISTING AND POTENTIAL SOURCES FOR DEVELOPMENT ASSISTANCE AND TO CONSIDER IN WHAT MANNER WE MIGHT HELP FACILITATE INCREASED BAHAMIAN ACCESS TO POTENTIAL SOURCES.

OUR INVESTIGATION INTO POTENTIAL SOURCES OF ASSISTANCE HAS LED TO THREE CONCLUSIONS: (1) CONCESSIONAL ASSISTANCE TO THE BAHAMAS FROM ANY SOURCE IS UNLIKELY. WE FULLY CONCUR WITH YOUR VIEW THAT BILATERAL CONCESSIONAL ASSISTANCE WOULD NOT ONLY ENCOUNTER STRONG CONGRESSIONAL OPPOSITION, BUT IS NOT WARRANTED AND CANNOT BE JUSTIFIED ON ECONOMIC GROUNDS. (2) SOME NON-CONCESSIONAL CAPITAL MIGHT BE AVAILABLE FROM THE INTERNATIONAL LENDING AGENCIES AND FROM PRIVATE SOURCES; AND (3) THERE MIGHT BE

SOME VALUE IN ESTABLISHING SOME SORT OF A ONE-SHOT WORKING GROUP TO EXPLORE THE POSSIBILITIES FOR FOREIGN CAPITAL THAT WOULD ASSIST DEVELOPMENT. SHOULD YOU DESIRE TO PURSUE THIS LATTER SUGGESTION AS A FALL-BACK POSITION, WE ARE PREPARED TO OFFER OUR COOPERATION. END SUMMARY.

2. PART 1 -PROSPECTS FOR NON-CONCESSIONAL DEVELOPMENT ASSISTANCE.

A. U.S. GOVERNMENT PROGRAMS - FULLER EXPLORATION OF THE FOLLOWING POSSIBLE AVENUES OF INVESTIGATION WOULD BEST BE CARRIED OUT JOINTLY WITH THE GCOB AFTER IDENTIFICATION OF THEIR DEVELOPMENT OBJECTIVES:

1) THE EXPORT-IMPORT BANK: THE BANK IS WILLING TO CONSIDER ADDITIONAL LENDING ACTIVITY TO THE BAHAMAS. THIS WOULD INVOLVE REVIEWING CURRENT NEEDS FOR GOOD BANKABLE PROJECTS. ITS INTEREST RATES RANGE FROM 8 1/4 PERCENT TO CONFIDENTIAL

PAGE 03 STATE 013918

9 1/2 PERCENT FOR LOANS RANGING FROM SIX TO 14 YEARS. MR. DUKE SHEPHERD, SENIOR LOAN OFFICER FOR THE CARIBBEAN, HAS STATED THAT HE WOULD BE PLEASED TO RECEIVE A VISIT FROM A REPRESENTATIVE OF THE GCOB TO DISCUSS THE GOVERNMENT'S INTEREST. ALTERNATIVELY HE COULD TRAVEL TO NASSAU AT SOME LATER DATE TO MEET WITH OFFICIALS AFTER HE COMPLETES A PLANNED FEBRUARY TRIP TO OTHER COUNTRIES IN THE AREA.

2) CCC CREDIT SALES PROGRAM: THE CCC PROGRAM IS NOT DEVELOPMENTAL ASSISTANCE, BUT IT COULD CONCEIVABLY OFFER THE BAHAMAS AN OPPORTUNITY TO FINANCE PURCHASES OF AGRICULTURAL COMMODITIES AT SOMEWHAT LESS COST THAN

THROUGH PRIVATE INSTITUTIONS. CCC CREDIT IS AVAILABLE FOR A WIDE VARIETY OF COMMODITIES AT 8 PERCENT AND 9 PERCENT INTEREST FOR UP TO THREE YEARS. THE BENEFIT COULD BE SOMEWHAT LOWER FINANCING COSTS OF FOODSTUFFS AND A TEMPORARY REDUCED DRAIN ON THE BALANCE OF PAYMENTS. BULK PURCHASES, IF LARGE ENOUGH, COULD ALSO INTRODUCE ECONOMIES IN PRICE AND SHIPPING COSTS. BEFORE PROCEEDING VERY FAR, THE GCOB SHOULD ENSURE THAT THEY HAVE FULLY EXAMINED THE POTENTIAL ECONOMIC BENEFIT THE CCC MAY PROVIDE AND THE COMPLEXITIES OF ADMINISTERING THE PURCHASE AND SUBSEQUENT RESALE OF BULK COMMODITIES.

3) AID'S COUNTRY FINANCED SERVICES (SEE ALSO AID CIRCULAR A-635, NOVEMBER 12, 1975): DESPITE THE FACT THAT AID CANNOT PROVIDE THE BAHAMAS WITH DIRECT LOAN OR GRANT FINANCING, CURRENT LEGISLATION (SECS. 607 AND 661 OF THE FOREIGN ASSISTANCE ACT) MAKES IT POSSIBLE FOR AID TO ASSIST THOSE COUNTRIES THAT ARE IN NEED OF SPECIAL

TECHNICAL SERVICES AS DESCRIBED IN REF AIRGRAM RE POLICY AND GUIDELINES. AID'S SERVICES ARE OF TWO TYPES: FIRST, AID WOULD BE RECEPTIVE TO A REQUEST FROM THE GCOB FOR HELP IN PROVIDING A SURVEY OF TECHNICAL ASSISTANCE NEEDS; SECOND, AID CAN HELP IN RECRUITMENT OF TECHNICAL EXPERTS REQUIRED BY THE GOVERNMENT AND PAID FOR BY THE HOST COUNTRY. AID IS CURRENTLY HELPING VENEZUELA, ARGENTINA, BRAZIL, ECUADOR AND A NUMBER OF ARAB NATIONS TO OBTAIN TECHNOLOGY AND TECHNICIANS FOR DEVELOPMENT  
CONFIDENTIAL

PAGE 04 STATE 013918

REQUIREMENTS. EXAMPLES OF CONSULTANTS EMPLOYED UNDER THE PROGRAM INCLUDE: ENGINEERS, GEOLOGISTS, PLANNING ADVISORS, AGRICULTURAL CONSULTANTS AND OTHER ADVISORS, FROM THE USDA, THE USGS AND PRIVATE SECTOR SOURCES.

4) OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) (SEE SEC C, PRIVATE SECTOR PARAGRAPH 2).

B. THE INTERNATIONAL FINANCIAL INSTITUTIONS. THESE POTENTIAL SOURCES MAY BE THE GCOB'S BEST BET FOR FINANCING DEVELOPMENT PROJECTS IN THE FUTURE. HOWEVER, THESE INSTITUTIONS WILL REQUIRE FEASIBILITY STUDIES, AND SUBSTANTIAL LEAD TIME SHOULD BE ANTICIPATED.

1) THE IBRD: THE WORLD BANK IS ALREADY PROCESSING A LOAN FOR DOLS NINE MILLION FOR THE BAHAMAS FOR A WATER AND SEWERAGE FACILITY IN NASSAU. THE HIGH BAHAMIAN PER CAPITA GNP RULES OUT CONCESSIONAL RATES FROM THE IDA AND MAY EVEN POSE SOME PROBLEM FOR IBRD LOANS. HOWEVER, WITH PROPER PROJECT PREPARATION, WE WOULD EXPECT THE IBRD TO BE A POTENTIAL SOURCE FOR FUTURE FINANCING.

2) THE INTER-AMERICAN DEVELOPMENT BANK (IDB): THE BAHAMAS ARE PRECLUDED FROM BORROWING FROM THE IDB UNTIL THEY BECOME MEMBERS. AN AMENDMENT TO THE IDB ARTICLES OF AGREEMENT THAT WOULD PERMIT BAHAMIAN MEMBERSHIP IS PENDING RATIFICATION. LEGISLATION NOW BEING CONSIDERED BY THE U.S. CONGRESS WOULD PROVIDE U.S. RATIFICATION. ONCE THIS LEGISLATION IS PASSED, WE WOULD BE PREPARED TO CONSIDER IN WHAT WAYS WE COULD USE OUR GOOD OFFICES TO ASSIST THE GCOB WITH THE IDB. IT IS UNLIKELY THAT THE IDB'S (SOFT LOAN WINDOW) FUND FOR SPECIAL OPERATIONS WITH LIMITED FUNDS DESTINED FOR LDCS WILL BE AVAILABLE TO THE BAHAMAS. RATHER, WE WOULD EXPECT LOANS FROM ORDINARY CAPITAL AT EIGHT PERCENT.

3) THE CARIBBEAN DEVELOPMENT BANK (CDB): AID HAS MADE LOANS TO THE CDB (DOLS 32 MILLION TO DATE). ALL THREE LOANS HAVE BEEN MADE THROUGH THE SOFT WINDOW--THE SPECIAL DEVELOPMENT FUND-- AND, FOR THE MOST PART, THE

CONFIDENTIAL

PAGE 05 STATE 013918

FUNDS ARE ALREADY COMMITTED TO SPECIFIC PROJECTS IN THE LDCS. LOANS FROM ORDINARY CAPITAL ARE AT EIGHT PERCENT INTEREST, OR SLIGHTLY HIGHER. HOWEVER, WE UNDERSTAND THAT PAID-IN CAPITAL IS LARGELY COMMITTED AT THIS TIME.

#### C. THE PRIVATE SECTOR:

1) PROSPECTS FOR LENDING FROM U.S. BANKS AND INVESTMENT OF EQUITY CAPITAL FROM OTHER SOURCES REQUIRE ADDITIONAL INQUIRIES AND MORE INFORMATION ABOUT GCOB PLANS. SINCE THE SOPHISTICATED BANKING INDUSTRY IN THE BAHAMAS SERVES AS A CONDUIT OF INVESTMENT INFORMATION WORLDWIDE, IT IS QUESTIONABLE WHAT ROLE WE COULD OR SHOULD PLAY.

2) HOWEVER THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) HAS INDICATED A WILLINGNESS TO DISCUSS WITH THE GCOB ANY INTEREST THE BAHAMAS MIGHT HAVE TO TAKE ADVANTAGE OF THE CORPORATION'S INVESTMENT FINANCING AND/OR INVESTMENT INSURANCE PROGRAMS. NORMALLY THE OPIC CHARTER PRECLUDES GUARANTEE PROGRAMS FOR A COUNTRY WITH A PER CAPITA INCOME AS HIGH AS THE BAHAMAS. THE CORPORATION, HOWEVER, HAS RECEIVED CONGRESSIONAL AUTHORITY TO CARRY OUT ITS PROGRAMS IN SOME COUNTRIES HAVING A HIGH PER CAPITA GNP WHEN IT RESTRICTS ITS OPERATIONS TO ACTIVITIES SPECIFICALLY DESIGNED TO BENEFIT THE LOWER INCOME LEVELS OF THE POPULATION.

3. PART II - ASSISTANCE TO THE GCOB IN FACILITATING BAHAMIAN ACCESS TO DEVELOPMENT FINANCE.

THERE MAY BE MERIT IN CONSIDERING BRINGING TOGETHER SOME

KIND OF ONE-SHOT, INFORMAL, JOINT WORKING GROUP TO MEET WITH GCOB OFFICIALS TO HELP IT BETTER IDENTIFY DEVELOPMENT PROBLEMS AND POSSIBILITIES. GROUP WOULD BE ASKED (A) TO SUGGEST SECTORS WITH POTENTIAL FOR DEVELOPMENT THAT MIGHT ATTRACT FOREIGN SOURCES OF CAPITAL, AND, (B) PERHAPS MORE IMPORTANT, TO IDENTIFY TO GCOB PROBLEM AREAS THAT IT MUST ADDRESS IN ORDER TO ATTRACT CAPITAL FROM VARIOUS SOURCES INDICATED ABOVE. NATURALLY THE GROUP'S EFFORTS WOULD BE MADE MORE EFFECTIVE IF THE GCOB HAS MADE AT LEAST INITIAL PROJECT IDENTIFICATION, CONFIDENTIAL

PAGE 06 STATE 013918

POSSIBLY WITH ASSISTANCE FROM THE UNDP. WE WISH TO STRESS, HOWEVER, THAT WE WOULD EXPECT TO PROCEED WITH CAUTION TO AVOID CREATING FALSE EXPECTATIONS.

COMPOSITION OF THE GROUP'S MEMBERSHIP AND DEFINITION OF ITS ROLE ARE CENTRAL QUESTIONS. WE MIGHT CONSIDER PARTICIPATION BY STATE, TREASURY, AID (UNDER SEC 661 PROGRAM), OPIC AND EXIM BANK FROM THE USG.

THE PRIVATE SECTOR COULD BE REPRESENTED BY A FEW U.S. BANKS, PREFERABLY THOSE ALREADY FAMILIAR WITH THE BAHAMIAN DOMESTIC SCENE AS OPPOSED SIMPLY TO THE ISLANDS' TAX HAVEN STATUS. A FEW LARGE U.S. CORPORATIONS THAT KNOW THE BAHAMAS WOULD ROUND OUT THE U.S. PRIVATE SECTOR. ADELA, AS AN INTERNATIONAL INVESTMENT DEVELOPMENT BANK, SHOULD ALSO BE CONSIDERED.

ASSUMING WORKING GROUP DISCUSSIONS CAN BE MADE TO FOCUS ON THE TOTAL DEVELOPMENT NEEDS OF THE BAHAMAS (AND NOT ON THE QUOTE QUID UNQUOTE OF THE NEGOTIATIONS) THEN WE MIGHT CONSIDER THE INCLUSION OF THE MULTILATERAL DONORS AND PERHAPS THE U.K. AND CANADA. POTENTIAL MULTILATERAL AGENCIES INCLUDE THE IBRD, IDB, CDB, AND UNDP, WHICH WE UNDERSTAND IS CONDUCTING A LIMITED REVIEW OF BAHAMIAN DEVELOPMENT PLANS AND PROSPECTS.

IF THE MULTILATERAL AGENCIES AND/OR OTHER COUNTRIES ARE BROUGHT INTO THE GROUP, THE ORGANIZATION OF THE MEETING MIGHT BEST BE HANDLED UNDER BAHAMIAN AUSPICES.

THIS APPROACH COULD HAVE PROBLEMS. IT MAY BE THAT THERE ARE FEW, IF ANY, SECTORS WITH DEVELOPMENT POTENTIAL. IT IS POSSIBLE THAT PARTICIPATION BY U.S. BANKS IS NOT PRACTICABLE. AN ADDITIONAL QUESTION TO BE ANSWERED IS THE EXTENT TO WHICH THE MULTILATERAL AGENCIES WILL AGREE TO PARTICIPATE IN A LARGELY BILATERAL EFFORT WITH A RELATIVELY WELL-OFF LDC. IT IS PRESUMABLY NOT ESSENTIAL TO LINK THE JOINT WORKING GROUP TO THE BASE NEGOTIATIONS, SO THE USG'S PUBLIC ROLE COULD BE CONSIDERABLY DOWNPLAYED, PERHAPS ENHANCING THE EFFECTIVENESS OF PRIVATE AND INTER-

NATIONAL SOURCES FOR LOAN AND EQUITY FUNDS.  
CONFIDENTIAL

PAGE 07 STATE 013918

IF YOU BELIEVE THE WORKING GROUP APPROACH MIGHT BE USE-  
FUL TO PURSUE AT SOME FUTURE TIME, WE WOULD WELCOME YOUR  
SUGGESTIONS BEFORE PROCEEDING WITH ADDITIONAL EFFORTS  
HERE. SISCO

CONFIDENTIAL

<< END OF DOCUMENT >>

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 15 SEP 1999  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC ASSISTANCE, DEVELOPMENT PROGRAMS, INVESTIGATIONS, PROGRAM ASSISTANCE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 JAN 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** coburnhl  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976STATE013918  
**Document Source:** ADS  
**Document Unique ID:** 00  
**Drafter:** ARA/CAR:JLOCKARD:ARA/ECP:WFALKNER  
**Enclosure:** n/a  
**Executive Order:** 11652 GDS  
**Errors:** n/a  
**Film Number:** D760021-0595  
**From:** STATE  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760199/baaaenyt.tel  
**Line Count:** 282  
**Locator:** TEXT ON-LINE, TEXT ON MICROFILM  
**Office:** ORIGIN ARA  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 6  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** coburnhl  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 13 JUL 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <13 JUL 2004 by saccheem>; APPROVED <20 OCT 2004 by coburnhl>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DISCUSSION ON DEVELOPMENT ASSISTANCE FOR THE  
**TAGS:** EAID, BF, US  
**To:** NASSAU  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006